

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 2454 - SB 2305

March 11, 2016

SUMMARY OF BILL: Requires payor banks to charge items properly which are payable against the account of a customer in sequential order as indicated by the numbers on the bank drafts on the day items are charged. Prohibits such banks from assessing a handling charge for any items that resulted in an overdraft, if such overdraft would not have occurred if the items were processed sequentially. Imposes a \$2,500 fine per infraction on any payor banks who fails to comply with this Act. Requires the Commissioner of the Department of Financial Institutions (DFI) to conduct a hearing, if requested by a payor bank, prior to imposing such a fee.

ESTIMATED FISCAL IMPACT:

Increase State Revenue - \$10,000/Recurring/Department of Financial Institutions

**Increase State Expenditures - \$2,200/One-Time/Department of Financial Institutions
\$387,400/Recurring/Department of Financial Institutions**

Assumptions:

- According to the DFI, three additional examiners would be required to carry out the regulatory functions required by the bill.
- The one-time increase in state expenditures associated with such positions is estimated to be \$2,160.
- The recurring increase in state expenditures associated with such positions is estimated to be \$379,354 (\$270,036 salary + \$80,878 benefits + \$28,440 other).
- The DFI would initiate administrative actions in approximately four cases per year at an average cost of \$2,000 per hearing (based on the average cost of a hearing in FY14-15). The total recurring increase in state expenditures for hearings is estimated to be \$8,000 (4 hearings x \$2,000).
- The total recurring increase in state expenditures is estimated to be \$387,354 (\$379,354 + \$8,000).
- The Department will impose the \$2,500 fine in each of the four cases involving administrative actions, resulting in a recurring increase in state revenue of \$10,000 (4 hearings x \$2,500).

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IMPACT TO COMMERCE:

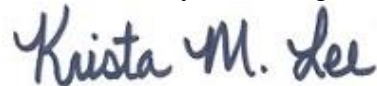
Increase Business Expenditures – Exceeds \$10,000

Assumptions:

- Revenue for payor banks may decrease as a result of the prohibition on imposing a handling charge for any items that resulted in an overdraft, if such overdraft would not have occurred if the items were processed sequentially.
- Pursuant to Tenn. Code Ann. § 47-29-102, such handling drafts are currently limited to a maximum of \$30 per occurrence.
- However, it is anticipated that payor banks will increase their overdraft fees charged to bank customers if any significant decrease in business revenue is anticipated to occur as a result of the processing order changes.
- Any net impact on business revenue is estimated to be not significant.
- The DFI is estimated to impose the \$2,500 fine in four cases each year, resulting in a recurring increase in business expenditures of \$10,000 (\$2,500 x 4). Payor banks may also experience an increase in expenditures associated with administrative actions.
- As a result, the total recurring increase in business expenditures is estimated to exceed \$10,000.
- Any impact on the number of jobs in the state is estimated to be not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista M. Lee, Executive Director

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